

PARLIAMENT OF UGANDA



REPORT OF THE COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT ON THE EXCISE DUTY (AMENDMENT) (NO. 2) BILL, 2025

Office of the Clerk to Parliament

11th Parliament

May, 2025

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1.0 INTRODUCTION

The Excise Duty (Amendment) (No. 2) Bill, 2025 was read for the First Time on 27th March, 2025 and referred to the Committee on Finance, Planning and Economic Development for consideration in accordance with Rule 135 (1) of the Rules of Procedure of Parliament.

Rt. Hon. Speaker, the Committee scrutinised the Bill in accordance with Rule 135 (2), (3) and (4) of the Rules of Procedure and now begs to report.

2.0 OBJECT OF THE BILL

The object of the Bill is to amend the Excise Duty Act, Cap. 336 to:

- i. provide for the remission of excise duty paid on damaged, expired or obsolete goods; and
- ii. to revise the rate of excise duty on certain excisable goods and services under Schedule 2 to the Act.

3.0 METHODOLOGY

While considering the Excise Duty (Amendment) (No.2) Bill, 2025, the Committee utilised the following methods;

3.1 Meetings

The Committee held meetings with the following entities:

- i. Ministry of Finance, Planning and Economic Development;
- ii. Uganda Revenue Authority;
- iii. PricewaterhouseCoopers;
- iv. Certified Public Accountants of Uganda;
- v. Private Sector Foundation Uganda;
- vi. Uganda Manufacturers Association;
- vii. Birungyi, Baraata and Associates;
- viii. American Chamber of Commerce, French Chamber of

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Commerce, British Chamber of Commerce and Netherlands Trade and Industrial Platform;

- ix. Uganda Alcohol Industry Association;
- x. Uganda Tobacco-Taxation Alliance;
- xi. Uganda Alcohol Policy Alliance;
- xii. British American Tobacco Uganda; and
- xiii. Leaf Tobacco and Commodities Uganda Limited

3.2 Written submissions

The Committee received written submissions from the following:

- i. Attorney General;
- ii. Kikuubo Entrepreneurs Initiative; and
- iii. Bawunha & Badebye Certified Public Accountants.

3.3 Document review

The Committee reviewed and made reference to the following documents:

- i. Submissions from the stakeholders mentioned above;
- ii. The Excise Duty (Amendment) (No.2) Bill, 2025 - Explanatory Notes; and
- iii. The Excise Duty Act, Cap. 336.

4.0 OBSERVATIONS AND RECOMMENDATIONS

4.1 Certificate of Financial Implications

The Committee observed that revenue gain expected from the Bill is estimated to be UGX 227.70 billion annually given the presented CFI. However, noting that the proposal for fuel which was expected to yield UGX 200.3 billion was dropped, this leaves a balance of UGX 27.4 billion.

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4.2 Remission of duty paid on damaged, expired or obsolete goods

Clause 2 of the Bill proposes to amend the Excise Duty Act by introducing section 13A which provides for remission of excise duty paid on ex-factory goods that are damaged, expired or obsolete.

This amendment allows a person liable to pay excise duty to apply to the Commissioner General for a remission of duty if they can provide sufficient proof that the goods were damaged, expired or obsolete. The application must include:

- i. evidence that excise duty was paid on the damaged, expired or obsolete goods where applicable;
- ii. goods delivery documentation such as a formal order for the delivery of goods;
- iii. a report from a competent authority detailing the extent and cause of the damage, in the case of damaged goods; and
- iv. any other documentation prescribed by the Minister through regulations.

If the Commissioner is satisfied that the excise duty was paid on the affected goods, they may either:

- i. offset the excise duty paid against any other outstanding duty owed by the taxpayer; or
- ii. at the taxpayer's written request, apply the excise duty paid in reduction of any other outstanding liabilities of a person liable to pay taxes with regard to other undisputed taxes.

The Committee was informed that this amendment aims to provide equitable relief for taxpayers by ensuring they are not unfairly taxed on goods that are damaged, expired or obsolete and therefore, unsellable.

The Committee observed that the practice that requires a taxpayer to pay for damaged, expired or obsolete goods is unfair and thus, this amendment seeks to remedy this anomaly.

The Committee recommends that Clause 2 be adopted.

4.3 Increase in excise duty on cigarettes

Clause 3 of the Bill proposes an amendment to Schedule 2 of the Excise Duty Act to increase excise duty on cigarettes.

The proposed amendment is as follows:

- i. increase locally manufactured soft cap cigarettes from UGX 55,000 per 1,000 sticks to UGX 65,000 per 1,000 sticks
- ii. increase imported cap cigarettes from UGX 75,000 per 1,000 sticks to UGX 150,000 per 1,000 sticks
- iii. increase locally manufactured hinge lid cigarettes from UGX 80,000 per 1,000 sticks to UGX 90,000 per 1,000 sticks
- iv. increase imported hinge lid cigarettes from UGX 100,000 per 1,000 sticks to UGX 200,000 per 1,000 sticks

The Committee was informed that the amendment aims at raising additional revenue of UGX 8 billion while taking into account inflation.

The proposal supports efforts to align Uganda's cigarette excise duty with East African Community standards where Uganda's rates are currently low.

This amendment will also contribute to public health objectives by discouraging tobacco consumption.

The Committee observed that:

- i. *there is weak implementation of the Tobacco Control Act. For example, the labelling, advertisement and gazetting of designated smoking areas, among others are not adhered to.*
- ii. *the excise duty has not been adjusted for inflation since FY2017/18 even though the Consumer Price Index has risen by 28.8% from FY2017/2018 to FY2023/2024.*
- iii. *an increase in excise duty on cigarettes is likely to lead to an increase in illicit trade. This will force consumers to opt for unregulated products, thereby leading to the unintended consequence of revenue reduction.*

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The Committee recommends that:

- i. clause 3(a) of the Bill be adopted;**
- ii. there is need for strict enforcement of the Tobacco Control Act, Cap. 43, by Government; and**
- iii. URA and UNBS should strengthen enforcement mechanisms against illicit tobacco trade in the country, especially at border points, transit routes and wholesale points.**

4.4 Adjusting Excise Duty rates for beer from local raw materials

Clause 3(b) of the Bill proposes an amendment to Schedule 2 of the excise duty Act to rationalise taxation of beer by repealing the redundant middle-tier tax rate and adjusting the bottom tier rate to reflect current economic conditions.

Uganda's current excise duty structure for beer follows a 3-tier regime:

- i. Top Tier: UGX 2,050 per litre or 60% (whichever is higher) for beer with no local raw material requirements (imported beer);**
- ii. Middle Tier: UGX 950 per litre or 30% (whichever is higher) for beer made from barley grown and malted in Uganda; and**
- iii. Bottom Tier: UGX 650 per litre or 30% (whichever is higher) for beer made with at least 75% locally sourced raw materials.**

The Committee was informed that the middle tier rate has become obsolete because beer made from barley grown and malted in Uganda qualifies for the bottom tier rate.

Consequently, the bottom tier specific rate of UGX 650 is no longer practical due to inflation. The proposed adjustment of the specific rate from UGX 650 to UGX 900 is intended to cater for inflation and the effective resultant tax rate.

The Committee observed that the amendment aligns the tax structure with present economic conditions.

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The Committee recommends that:

- i. the clause be adopted as proposed in the Bill; and**
- ii. URA should strengthen enforcement mechanisms against illicit alcohol trade in the country which currently stands at 65%.**

4.5 Reduction of tax on fruit and vegetable juices made from local raw materials

Clause 3(d) of the Bill proposes an amendment to item 5(b) of Schedule 2 to exempt fruit and vegetable juices made from at least 50% pulp sourced from locally grown fruits and vegetables in partner states.

The Committee was informed that the proposed amendment aims to:

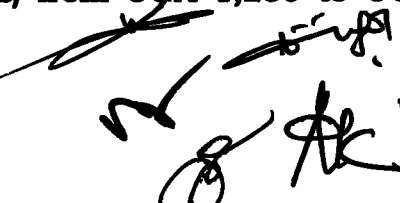
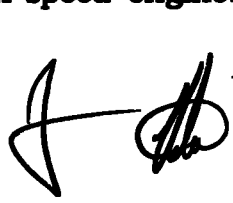

- i. eliminate the current ambiguity in the excise duty law;**
- ii. increase the uptake of locally grown fruits and vegetables and promote value-addition;**
- iii. reduce post-harvest losses and improve returns to farmers; and**
- iv. support the Government's agro-processing priorities through promoting the emerging local industry and employment creation.**

The Committee observed that the proposed amendment increases the requirement of pulp for fruit and vegetable juice from locally grown fruits and vegetables from 30% to 50% but does not affect the excise duty rate.

The Committee recommends that Clause 3(d) of the Bill be adopted.

4.6 Increase of tax on motor spirit (gasoline and gas oil)

Clause 3(e) of the Bill provides that items 8(a) and (b) of Schedule 2 to the Act be amended to increase the tax on motor spirit (gasoline) from UGX 1550 per litre to UGX 1,650 per litre and the tax on gas oil (automotive, light, amber for high-speed engines) from UGX 1,230 to UGX 1,380 per



litre. The effect of the proposal is to increase the excise duty payable on motor spirit by UGX 100 and for gasoline by UGX 150.

The Committee observed that in the FY2024/2025, Government increased taxes on motor spirit and gasoline by UGX 100. A further increase in the FY2025/2026 will significantly increase costs of transport and logistics and consequently, increase the costs of production, thereby driving inflation upwards, which is unfair.

This proposal was dropped by the sponsor of the Bill during a meeting with the Committee.

The Committee therefore recommends that Clause 3(e) be deleted from the Bill.

4.7 Excise Duty on plastics

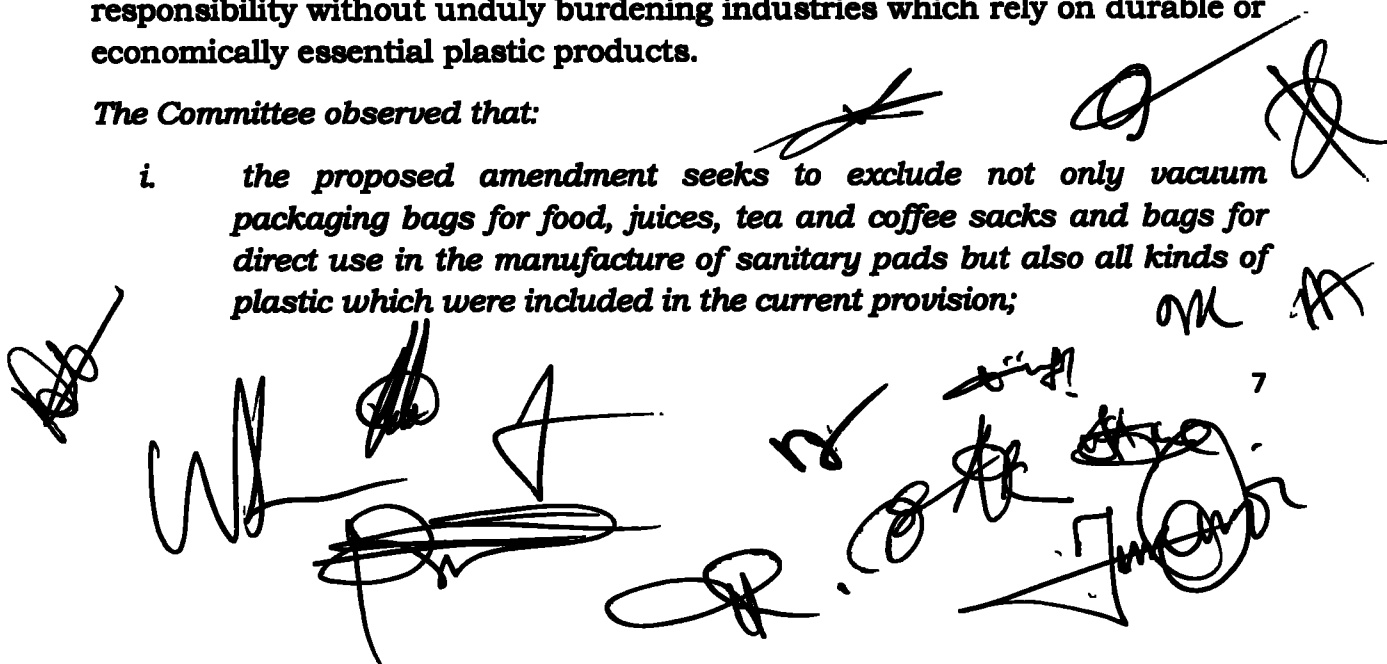
Clause 3(f) of the Bill proposes an amendment to Item 11 to Schedule 2 by changing the description of plastics to restrict it to sacks and bags of polymers of ethylene and other plastics under HS Codes 3923.21.00 and 3923.29.00 and makes exceptions to vacuum packaging bags for food, juices, tea and coffee sacks; and bags for direct use in the manufacture of sanitary pads.

The Committee was informed that the proposed amendment seeks to clarify that the excise duty on plastics, specifically applies to single-use plastic bags and plastic bottles as the major environmental pollutants while keeping the excise rate unchanged.

The proposal acknowledges that not all plastic products have the same environmental impact. This approach seeks to promote environmental responsibility without unduly burdening industries which rely on durable or economically essential plastic products.

The Committee observed that:

- i. the proposed amendment seeks to exclude not only vacuum packaging bags for food, juices, tea and coffee sacks and bags for direct use in the manufacture of sanitary pads but also all kinds of plastic which were included in the current provision;*



- ii. ***the Committee established that the proposed amendment exempts all plastic products and plastic granules and will only tax sacks and bags of polymers of ethylene and other plastics under HS Codes 3923.21.00 and 3923.29.00 with the exception of vacuum packaging bags for food, juices, tea and coffee sacks; and bags for direct use in the manufacture of sanitary pads.***

The Committee recommends that Item 11 to Schedule 2 be amended to provide for plastic products and plastic granules which were left out.

5.0 CONCLUSION

The Committee recommends that the Excise Duty (Amendment) (No.2) Bill, 2025 be passed subject to the proposed amendments.

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PROPOSED AMENDMENTS TO THE EXCISE DUTY (AMENDMENT) (NO.2) BILL, 2025

Clause 3: Amendment of Schedule 2 to principal Act

Clause 3 is amended by-

- (a) deleting clause 3(e).

Justification

The proposal was dropped by the Minister OF Finance during the meeting with the Committee.

- (b) in paragraph (f) by substituting for item 11 the following-


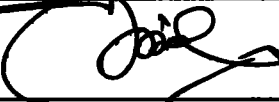
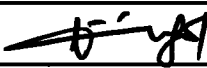





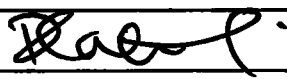

"11	Plastics	
	Plastic products, plastic granules, sacks and bags of polymers of ethylene and other plastics under HS codes 3923.21.00 and 3923.29.00 except vacuum packaging bags for food, juices, tea and coffee sacks, and bags for direct use in the manufacture of sanitary pads;	2.5% or USD 70 per tonne, whichever is higher;"


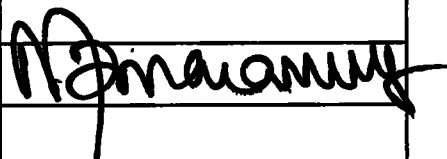
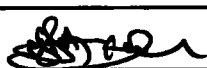
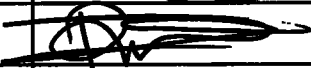
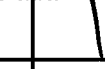

Justification

To provide for plastic products and plastic granules which were left out of the Bill.

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**COMMITTEE ON FINANCE, PLANNING AND ECONOMIC DEVELOPMENT -
ENDORSEMENT OF THE REPORT ON THE EXCISE DUTY (AMENDMENT)
(NO.2) BILL, 2025**

NO	NAME	SIGNATURE
1.	HON. KANKUNDA AMOS K. (Chairperson)	
2.	HON. ALEPER MOSES (Deputy Chairperson)	
3.	HON. OGWAL MOSES GOLI	
4.	HON. DR. KUGONZA EMELY	
5.	HON. BATARINGANYA BASIL RWANKENE	
6.	HON. TAYEBWA HERBERT	
7.	HON. NANGOLI GERALD	
8.	HON. WAMAKUYU IGNATIUS MUDIMI	
9.	HON. ATIMA JACKSON LEE	
10.	HON. KAMBALE FERIGO	
11.	HON. OCHAI MAXIMUS	
12.	HON. WANDA RICHARD	
13.	HON. OKOT JOHN AMOS	
14.	HON. ASIIMWE .K. ENOSI	
15.	HON. OPOLOT PATRICK ISIAGI	
16.	HON. KATWESIGYE OLIVER KOYEKYENGA	
17.	HON. KATESHUMBWA DICKSON	
18.	HON. LUBEGA BASHIR SSEMPA	
19.	HON. KINSHEBA PATIENCE NKUNDA	
20.	HON. NAKUT FAITH LORU	

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24.	HON. NABUKENYA BRENDAH	
25.	HON. NABAGABE FLAVIA	
26.	HON. NANDALA MAFABI	
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33.	HON. PAUL OMARA	
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38.	HON. KEEFA KIWANUKA	
39.	HON. OCWA DAVID	
40.	HON. AVUR JANE PACUTO	
41.	HON. DR. CHARLES AYUME	
42.	HON. MBABAZI JENNIFFER KYOMUHENDO	
43.	HON. DR. AGNES APEA	